

Capital Improvement Plan (CIP)

Description

Generally, a Capital Improvements Plan (CIP) identifies capital projects (and some major equipment purchases) during a five year period, providing a planning schedule and identifying opportunities for financing the projects in the plan. Capital Improvements Plans coordinate community planning, financial capacity, and physical development.

A CIP typically includes:

- List of capital improvements (projects or major equipment) to be made
- Projects ranked by priority
- Project cost estimates
- Plan for financing the projects
- Schedule for construction or completion of the projects

There are a number of benefits that may be realized from the Capital Improvements Plan process including:

- Coordination between capital needs and operating budgets
- Enhancement of the community's credit rating, control of its tax rate, and stability in debt service obligations
- Identification of the most economical means of financing capital projects
- Coordination of public capital investments with other public and private development initiatives
(Massachusetts Municipal Association, 1997)

The process for developing a Capital Improvements Plan varies by community but may include the following steps:

- Establish a capital planning committee (often the department heads or superintendents)
- Inventory existing assets
- Evaluate projects that have been previously approved, are incomplete, or have not been implemented
- Assess the community's financial capacity
- Identify new projects by soliciting and evaluating requests from staff
- Prioritize projects
- Develop a financing plan
- Adopt a Capital Improvements Plan
- Monitor and manage the projects included in the plan
- Update periodically (typically annually)

The inventory of assets should include all buildings and major equipment and, if possible, utilities, roads, and sewers. It should document the need for replacement, expansion, or repair of all physical assets in the community. This is facilitated by documenting the year the facility (or equipment) was purchased or acquired, the date(s) of improvement(s), the condition and extent of use of the facility or equipment, and any scheduled dates for reconstruction, expansion, or replacement (Massachusetts Municipal Association, 1997).

While some communities use specific "grading systems" for establishing the priority ranking of their projects, including cost-benefit analysis is not always necessary. Some priorities are difficult to establish using fixed systems and may not reflect the social or political realities of the community. Nonetheless, establishing a prioritization for projects is important for scheduling and budgeting purposes.

The financing plan should include not only the estimated initial cost of construction, but also estimates of the annual operating and maintenance costs. These represent long-term financial commitments and should be included in the long-term operating budget.

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County Economic Development Income Tax (CEDIT) Capital Improvements Plan – IC 6-3.5-7-15

Under Indiana statute a community (town, city, or county) may not receive their fractional distribution of the CEDIT revenues if they do not have a capital improvements plan for their share of the funds. These Capital Improvements Plans must include:

- Identification and general description of each project that would be funded by the county economic development income tax.
- The estimated total cost of each project.
- Identification of all sources of funds expected to be used for each project.
- The planning, development, and construction schedule of each project.

The plans must cover a time period of at least two years and must include projects which account for 75 percent of the community's fractional distribution.

Capital Projects Review – IC 6-1.1-29.5

During the 2007 session of the Indiana General Assembly, the legislature passed a set of provisions that apply to capital projects that are controlled projects (defined by IC 6-1.1-20-1.1) and will cost jurisdiction more than seven million (\$7,000,000) dollars. The statute excludes construction, reconstruction, improvement, enlargement, extension, or maintenance associated with:

- Wastewater treatment projects
- Sewer system projects including storm water management projects
- Water storage, distribution, and other drinking water system projects
- Water management or supply projects
- Drainage or flood control projects
- Any works for a water project
- Any works for a sewage project
- Highways or road projects
- Bridge projects
- Any other water project, sewer project, bridge project, or highway or road project

The statute establishes procedures for communities to hold a public hearing on proposed capital projects and adopt a capital projects plan by ordinance or resolution. The capital projects plan is to be for a period of five (5) years and include: a general description of the jurisdiction, a description of the facilities owned by the jurisdiction, the location and use of each proposed capital project including a description of the projects, the estimated costs of the projects, and the expected source of funds for the project.

Relevant Statutes

- IC 6-1.1-29.5: Capital Projects Review

Capacity Recommendations

- Ability to inventory all of the jurisdiction's capital assets
- Ability to identify needed projects for the next five year period and prioritize
- Ability to estimate the costs of proposed projects and identify a funding source

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Guidelines / Considerations for Implementation

- Capital Improvements Plans vary in degree of sophistication by the size and resources of the jurisdiction
- Capital Improvements Plans should be done for the community, regardless of statutory requirements

Example Ordinances

- **City of Indianapolis 2007 Capital Improvements Plan:** an example of a large city, multiple department CIP (see link on list of tools).
- **Town of Fishers 2007 Capital Improvements Plan:** an example of a large, growing town CIP that is broken down by department:
 - o Roads and Streets [<http://www.fishers.in.us/egov/docs/118848638796.htm>]
 - o Parks [<http://www.fishers.in.us/egov/docs/1190132879902.htm>]
 - o Facilities [<http://www.fishers.in.us/egov/docs/1190923721844.htm>]
 - o Waste Water [<http://www.fishers.in.us/egov/docs/1190922385193.htm>]
 - o Fleet [<http://www.fishers.in.us/egov/docs/1191264075981.htm>]
 - o Machinery & Equipment [<http://www.fishers.in.us/egov/docs/1191264377383.htm>]
- **City of Fort Wayne 2007 County Economic Development Income Tax (CEDIT) Capital Improvements Plan:** an example of a CEDIT capital plan (see link on list of tools).
- **Town of Highland 2007 Strategic Plan:** an example of a town strategic plan that incorporates their capital improvements plan (see link on list of tools).

Example Studies

No example studies are available for this tool.

Helpful References and Links

- “Developing a Capital Improvements Program: A Manual for Massachusetts Communities,” Massachusetts Municipal Association, March 1997
- Dennis, Lynda. “A Public Finance Primer for Public Works Professionals: Everything You Always Wanted to Know But Didn’t Know How to Ask,” American Public Works Association, July 2004.

Helpful Contacts

- **Indiana Land Use Consortium** is made up of different business, development, government, and education representatives from throughout Indiana. Its purpose is to offer educational information and discussion for land use policy in the state that are guided by a list of principles on their website [<http://www.indianalanduse.org/index.html>]

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- **Purdue University Community Extension Services – Land Use Team:** The Purdue Land Use team offers resources to help communities address land use issues. The team provides educational resources and a variety of programs for citizens, local officials, and other development groups [<http://www.ces.purdue.edu/landuse/index.html>]

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- **Center for Urban Policy and the Environment:** As part of the School of Public and Environmental Affairs at IUPUI, this organization can assist in a variety of planning related matters.

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Other Possible Funding Sources

No other funding sources have been identified for this tool.

Program Objectives and Issues Addressed

- Growth management
- Implementation of plans
- Vision of development and growth
- Regulatory issues

See Also

No other tools have been referenced for this tool.